

Audit Findings from Non-State Sources

Background: Subrecipient audits may contain findings from the following sources:

- 1) Findings related to federal grants issued by the primary pass-through,
- 2) Findings related to federal grants issued by a Vermont state agency but not the primary pass-through,
- 3) Findings related to federal funds issued to the subrecipient directly from a federal agency,
- 4) Findings related to federal funds received by the subrecipient from a non-profit organization, college, another state, or some other non-state or federal entity,
- 5) Findings related to advances of state funds, or
- 6) Findings related to local funds

Issue: How should the primary handle review of the audit when it contains findings in categories 3 through 6? Is there any obligation on the primary's part to get resolution to these findings? (It is understood that findings for category 1 and 2 require resolution from either the primary or other pass-through entity before final acceptance of the audit.)

Resolution: Findings related to fraud, internal controls, etc. that could impact all programs should be addressed and a corrective action plan requested, regardless of source of funds or granting agency.

In the absence of the issues listed in the previous paragraph, the focus of a typical single audit review is on findings related to federal funds advanced through any Vermont state agency. When findings are not program-specific, but relate to multiple federal funding sources, the primary should coordinate resolution with all state pass-through entities, including the request for a corrective action plan if appropriate.

The following guidelines should be used to resolve findings in categories 3 through 6.

- 3) Findings related to federal funds received directly from a federal agency would be the responsibility of the granting agency to resolve. The primary should make a notation of those findings in the comment section of the VISION panels and in the official grant file. No follow-up is necessary.
- 4) Findings related to federal funds received from a non-profit organization, college or another state would be the responsibility of the granting agency to resolve. The primary should make a notation of those findings in the comment section of the VISION panels and in the official grant file. No follow-up is necessary.
- 5) The primary should make a notation that the audit contained findings pertaining to non-federal funds in the VISION comments section and in the official grant file. It is the granting agency's responsibility to follow up on those findings and to make notes as appropriate in the VISION panels and/or the official grant file. However, since federal funds are not involved and depending upon the severity of the finding, this may or may not impact the final acceptance of the audit.
- 6) Findings related to local funds would be the responsibility of the granting agency to resolve. The primary should make a notation of those findings in the comment section of the VISION panels and in the official grant file. No follow-up is necessary.